

Message Text

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DEPT PASS SECRETARY FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID EG US

SUBJECT: EMERGENCY RELIEF ASSISTANCE FOR EGYPT IN 1976

1. A RATHER FEISTY FAHMY ASKED ME TODAY ABOUT THE STATUS OF THE "CONSORTIUM." GOE NEEDS \$1.5 BILLION IN 1976 TO OVERCOME ITS CONTINUING LIQUIDITY PROBLEM. HE WAS CRITICAL OF WHAT HE CALLED THE LACK OF SUCCESS OF OUR EFFORTS LAST YEAR. WE HAD MADE MANY "PROMISES" ABOUT HELPING GOE RESOLVE ITS LIQUIDITY PROBLEM WITH NO APPRECIABLE RESULTS.

2. I TOLD HIM THAT, AS HE SHOULD KNOW, HE IS ALL WRONG. WE HAVE IN FACT MADE MAJOR EFFORTS IN 1975 ON EGYPT'S BEHALF. THERE WAS NEVER ANY QUESTION THAT WE WOULD BE ABLE TO PROVIDE CASH. INSTEAD, AS WE HAD MADE CLEAR AT THE OUTSET WE PROVIDED WHEAT AND CIP HELP ON THE ASSUMPTION THIS WOULD OFFSET EGYPTIAN RESOURCES, WHICH COULD THEN BE USED TO DISCHARGE OUTSTANDING DEBTS. UNDER SECRETARY ROBINSON, ACTING ON YOUR INSTRUCTIONS, HAD MADE REPEATED EFFORTS WITH POSSIBLE DONORS, BUT I HAD TO TELL HIM IN ALL FRANKNESS THAT WITH SLIM JUSTIFYING DATA WHICH HAD BEEN GIVEN US, OUR PRESENTATIONS HAD BEEN GREETED WITH SOME SKEPTICISM BY POSSIBLE DONORS. MORE IMPORTANTLY, WESTERN DONORS AND JAPAN ARE DOUBTFUL

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THAT GOE IS TAKING THE STEPS NEEDED TO PREVENT A

RECURRENCE OF LIQUIDITY PROBLEM. WE HAD LONG URGED GOE ASK IBRD TO LEAD AN INTERNATIONAL CONSORTIUM TO HELP EGYPT BUT HAD NEVER HAD ANY MEANINGFUL REPLY. DESPITE ALL THESE DIFFICULTIES, WE HAD SUCCEEDED WITH IRAN, SAUDI ARABIA, THE GERMANS AND THE JAPANESE IN GETTING SOME ADDITIONAL HELP. FAHMY POOH-POOED THIS, AS HAVING PRODUCED NO REAL RESULTS TO HELP EGYPT'S LIQUIDITY PROBLEM. I SAID I COULD NOT AGREE.

3. HE THEN ASKED THAT UNDER SECRETARY ROBINSON COME OUT TO CAIRO AGAIN TO DISCUSS THE MATTER. AT FIRST HE SUGGESTED THE UNDER SECRETARY COME ONLY AFTER HE HAD TALKED WITH OTHER WESTERN AND JAPANESE DONORS SO THAT HE COULD STATE WHAT CAN BE GOTTEN. I POINTED OUT THAT, IN THE ABSENCE OF SOME MEANINGFUL EGYPTIAN DATA TO SUPPORT THIS EFFORT, THE UNDER SECRETARY COULD NOT EXPECT TO GET ANY RESULTS FROM DONOR GOVERNMENTS. FAHMY THEN SUGGESTED THAT ROBINSON COME AND MAKE CLEAR TO PRIMIN MAMDOUH SALEM EXACTLY WHAT STATISTICS HE NEEDS. IF WHAT IS PROVIDED IS INADEQUATE, HE SHOULD GO TO SALEM AGAIN AND SAY WE CANNOT ACT UNLESS WE HAVE THE WHOLE PICTURE.

4. COMMENT: WHILE OUR EMERGENCY RELIEF ASSISTANCE EFFORT WAS FOR 1975, IT WAS CLEAR FROM THE OUTSET THAT WE WOULD FACE THE SAME PROBLEM IN 1976. AS A MATTER OF FACT, UNDER SECRETARY ROBINSON HAD DISCUSSED WITH EGYPTIANS IN GENERAL TERMS THIS POSSIBILITY. IN VIEW OF THE POLITICAL CONSIDERATIONS INVOLVED I WOULD HOPE THAT UNDER SECRETARY ROBINSON WOULD BE ABLE TO SCHEDULE A VISIT TO EGYPT SOME TIME IN JANUARY TO AGAIN DISCUSS THE SUBJECT AND TRY TO OBTAIN THE NEEDED STATISTICAL DATA.

5. YOU SHOULD ALSO KNOW THAT ALONG WITH ABOVE, FAHMY COMPALINED BITTERLY ABOUT OUR CONTINUING FAILURE TO DO ANYTHING ON ARMS SALES TO EGYPT. I TOLD HIM HE KNEW THE SENSITIVITY OF THE SUBJECT AND THE NEED TO MOVE CAUTIOUSLY. FAHMY ARGUED THAT ALL THE CONGRESSMEN WHO COME HERE INDICATE THEY FAVOR ARMS SALES TO EGYPT AND PROFESSED NOT TO UNDERSTAND WHY THE ADMINISTRATION
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IS NOT PUSHING THIS MATTER. I TOLD HIM THAT WHILE SOME VISITING CONGRESSMEN HAVE INDEED FAVORED SUCH SALES HE SHOULD NOT BE UNDER THE IMPRESSION THAT THIS IS UNIVERSALLY SO. SUBJECT IS SENSITIVE AND HE MUST ALLOW US TO HANDLE IT IN THE LIGHT OF OUR BEST JUDGMENT OF HOW AND WHEN TO PROCEED. EILTS

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